



2017 BOND ELECTION

MAY 6, 2017

GALVESTONTX.GOV/BONDS2017

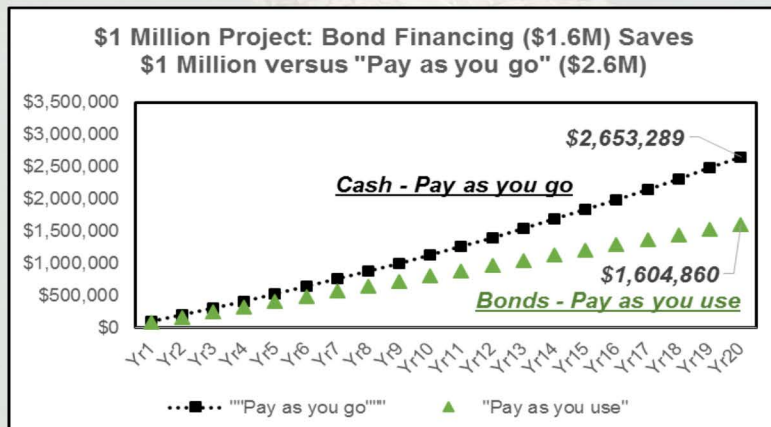
PAY AS YOU GO VS PAY AS YOU USE

\$62 million in bonds can raise many questions, some of which we have answered on our website under the FAQ's on galvestontx.gov/bonds2017. In an effort to hit the highlights, we've put together this informational handout that addresses some of the biggest areas of concern.

IS IT LESS COSTLY TO "PAY AS YOU GO" USING CASH FOR THE PROPOSED BOND PROJECTS AS COMPARED TO ISSUING BONDS AND PAYING INTEREST?

If we base our answer on a strong economy, and the history of construction costs based on numbers provided by TxDOT, the simple answer is no.

For example, when doing the calculations on a \$1 million street project the "pay as you go" (cash) approach costs \$1 million more than the "pay as you use" (bond) approach.



HOW LONG WOULD IT TAKE TO COMPLETE ALL OF THE PROJECTS IN THE FIVE-YEAR PLAN WITHOUT THE PROPOSED BONDS?

Project Description	Total Project (\$000's)	Original Schedule	Revised Amount	Revised Schedule
In-House Street Construction	\$14,300	2017-2021	\$27,441	2018-2036
16th Street from Broadway to Ave N 1/2	\$1,460	2018	\$2,378	2027
26th Street from Ave N to Broadway	\$568	2017	\$568	2017
26th Street from Broadway to Church St	\$568	2017	\$596	2018
25th Street from Broadway to Seawall	\$4,681	2017	\$5,161	2019
73rd Street from Heards Lane to Ave N1/2	\$1,495	2017	\$2,319	2026
Replacement of Strand Pavers	\$530	2017	\$557	2018
45th Street from Broadway to Seawall	\$11,495	2018-20	\$12,688	2021-23
Intersection Imp. for 61st and Seawall	\$282	2017	\$459	2027
Streets Assessment	\$100	2017	\$163	2027
30th Street from Ave O to Seawall Blvd	\$1,483	2019	\$2,191	2027
22nd Street from Harborside to Broadway	\$4,495	2019	\$7,689	2029
37th Street from Broadway to Seawall	\$6,730	2020	\$11,237	2030-31
29th Street from Ave O to Ave R 1/2	\$5,148	2021	\$8,806	2032
49th Street from Ave P to Ave S 1/2	\$2,265	2021	\$4,068	2033
35th Street from Postoffice to Broadway	\$2,456	2021	\$4,632	2034
Traffic Signal Synch (4 intersections)	\$190	2017	\$325	2028
29th Street - Broadway to Sealy	\$40	2017	\$68	2028
29th Street - Church to Harborside	\$591	2017	\$1,290	2033
33rd Street - Broadway to Harborside	\$377	2017	\$823	2033
Avenue T 1/2 - 57th to 61st	\$249	2017	\$571	2034
11 Mile Road Drainage	\$148	2018	\$339	2034
18th St Drainage	\$10,164	2019	\$13,632	2024-26
Ave L Storm Sewer, 62nd and 63rd	\$239	2017	\$548	2034
Church St Drainage, 35th to 37th	\$1,136	2019	\$2,480	2035
Storm Sewer Rehab & Inspection	\$1,800	2017	\$4,332	2035
West End Drainage Rehab	\$900	2018-20	\$2,063	2036
TOTALS	\$73,890		\$117,425	

Without the bonds, the city would have at its disposal the annual transfer to the Infrastructure and Debt Service fund from the General Fund. This amounts to eight percent of the General Fund in FY 2020, rising one percent per fiscal year from its five percent level in FY 2017. Then, after FY 2023, when the balance of the prior bonds (sold in 2001) would be paid off, an additional \$1.7 million per year would be available for pay as you go projects. Based on the following assumptions the new project schedule might look like the sample above:

- The General Fund and the property tax base each grow three percent per year
- Construction costs rise five percent annually
- Interest earnings accrue at a three percent rate

The costs shown are design and construction only, and do not consider the impact on maintenance costs that would undoubtedly increase given the delays in reconstruction.

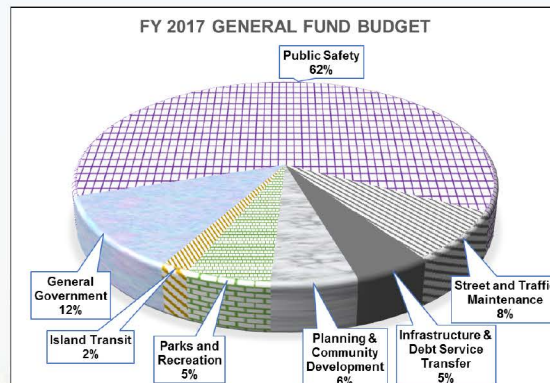
IN ANY EVENT, THE FIVE-YEAR PROGRAM, IF IMPLEMENTED AS PAY AS YOU GO (CASH) RATHER THAN AS PAY AS YOU USE (BONDS), INCREASES THE TOTAL COST FROM \$74 MILLION TO \$120 MILLION AND WILL TAKE UNTIL 2036 TO COMPLETE.

IF IT TAKES SO LONG TO COMPLETE THE ENTIRE PROGRAM, COULD WE INCREASE THE FUNDING ALLOCATION FOR THE “PAY AS YOU GO” APPROACH BY MAKING BUDGET CUTS ELSEWHERE?

The General Fund would have to be the place that funds were found for street and drainage projects because other funds are legally restricted to specific purposes other than street and drainage project construction. How easy is it to reduce the General Fund budget? It's just a matter of priorities, but the real choices are limited.

FY 2017 GENERAL FUND BUDGET (\$000'S)

Category	FY2017 Budget	Percent of Total
General Government	\$6,140	11.78%
Public Safety	\$32,431	62.25%
Street and Traffic Maintenance	\$4,151	7.97%
Infrastructure & Debt Service Transfer	\$2,605	5.00%
Planning & Community Development	\$2,915	5.59%
Parks and Recreation	\$2,886	5.54%
Island Transit	\$970	1.87%
	\$52,097	100.00%



Public Safety, including police, fire, EMS, municipal courts and emergency management, total 62 percent of the General Fund Budget. Street and Traffic combined with the Infrastructure and Debt set aside total 13 percent of the General Fund budget. Just for discussion purposes let's exclude these categories that add up to 75 percent or three fourths of the General Fund budget.

The remaining 25 percent (\$12.9 million) of the General Fund budget, includes those aforementioned areas, some of which are required by statute or charter. These functions include such things as Parks and Recreation and Right of Way Maintenance that have made great strides in the past two years. Even with draconian cuts in these areas, the contribution would not dramatically reduce the timeline should “pay as you go” be preferred by the voters through rejection of the bonds.

Planning and Community Development includes code enforcement, building permits and inspection, along with land use management. Neighborhoods and the local economy would be hurt significantly by deep cuts. Island Transit may prove to be an area where savings can be achieved as a result of the scaling back of routes and nonessential services. However, Island Transits budget equates to only 2 percent and further reductions would impact some of our most in need citizens.

It is also important to point out, that the General Fund is already going to undergo spending discipline in order for the Infrastructure and Debt Service Transfer to increase to 8 percent of the General Fund Budget. In FY 2017, the set aside is 5 percent of the budget. Over the next three years, the transfer will increase to 8 percent of the General Fund budget which would be \$1.56 million in FY 2017 dollars. The financial plan proposed with the bonds preserves 4 percent (half) of the infrastructure set aside at maturity for continued maintenance and “pay as you go” projects that fall outside of the bond issue projects. Without additional bond funds, this amount would be utilized for new road construction/replacement in combination with ongoing repair and preservative efforts.

In summary, the city has a plan going forward. This plan includes immediate relief for failed infrastructure over the next five years with a long-term plan to ensure our overall infrastructure never falls into this condition again.

Should the voters decide against the sale of bonds, the city also has clearly outlined above a timeline and cost to pursue some repairs and will do its best to handle other issues as they arise, much as it has been done over the past decade.